

Avg selling price of PVs up 50% in 5 yrs

Around 43% people prefer buying top-end variant



ON THE RISE

Financial year	ASP of PVs (in ₹)	% change Y-o-Y
2018-19	765,000	NA
2019-20	820,000	7.19
2020-21	845,000	3
2021-22	967,000	14.43
2022-23	1,058,000	8.5
2023-24	1,150,000	9.5

Source: Industry

ASP: Average selling price

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The average selling price (ASP) of passenger vehicles (PVs) in India has been increasing steadily over the years thanks to premiumisation, an increase in regulatory stringency, and faster adoption of sports utility vehicles (SUVs). According to data from the industry, the ASP has gone up from ₹7.65 lakh in 2018-19 to ₹11.5 lakh in 2023-24, up by over 50 per cent.

More people prefer buying a top-end variant of the vehicle, with the percentage of buyers rising from 27 per cent about a year ago to 43 per cent now. There is a clear shift towards premiumisation, says Shashank Srivastava, senior executive officer, marketing and sales, Maruti Suzuki India. "People now want more features in their vehicles. In the same model, they are opting for the one with more features. For example, non-AC models are virtually non-existent. There was a time when there was demand for non-AC models," Srivastava explains.

Tata Motors agrees. The company says that the average sales price has been increasing across the industry.

"At Tata Motors, we carefully consider a combination of several internal and external factors while making pricing decisions to ensure both financial viability and competitiveness in the market," it said.

"Inflation, higher raw material prices, brand strength, migration to higher

safety and emission standards – are among the variables considered. A significant proportion of the escalation in costs is managed by improving internal efficiencies and only the residual impact is passed on to customers," it added.

Several factors have played a role in the rise of ASP. Commodity prices have gone up over time, and in response, the industry has increased prices.

Srivastava said there have been changes in the product mix also. "SUV sales have grown over the hatchbacks. This is a structural change, and prices have gone up as a result," he said.

In the 2023 calendar year, PV wholesales crossed a record 4.1 million mark. The record sales last year were driven

by demand for SUVs which registered 26 per cent growth Y-o-Y. The share of SUVs in PV sales went up from 42 per cent last year to 48.7 per cent this year. In comparison, the share of hatchbacks went down from 34.8 per cent in 2022 to 30 per cent in 2023, and sedans also saw a loss of share to 9.4 per cent from 11 per cent in 2022.

Changes in the regulatory environment have been another reason why automobile original equipment manufacturers (OEMs) have increased prices across variants.

"During the transition

from BS 4 to BS 6 in April 2020, prices had gone up substantially. OEMs had to modify vehicles, and similarly, now the recent RDE norms or real-time driving emission norms have come in," Srivastava said.

To comply with changing regulatory stringency, OEMs have to make modifications in vehicles, eventually leading to price hikes.

Real-Time Driving Emission (RDE) norms require a vehicle to have an onboard self-diagnostic device to monitor the car's emissions in real time.

This is also true in the luxury segment. A luxury OEM said their ASP has gone up by 85 per cent over the last four years to ₹90 lakh now.

"As the focus on higher-end vehicles increases and customers also prefer premium vehicles, the ASP is definitely going up in the automobile sector. For us, there has been an 85 per cent increase as the mix of more premium vehicles has increased in our overall portfolio," said an industry official on grounds of anonymity.

Dealers pointed out that people are now replacing their cars more often and more models get launched regularly, which entices people to change their cars every 3-4 years. "A few decades back people used to run their cars for seven-eight years or more," said a Mumbai-based dealer.

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